Attorney's Docket No.: 09857-031001

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant : Stuart Serkin et al. Art Unit : 3627
Serial No. : 09/401,892 Examiner : B. Jaketic
Filed : September 23, 1999
Title : LOCKED/CROSSED QUOTE HANDLING

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Board of Patent Appeals and Interferences
Commissioner of Patents and Trademarks
Washington, DC 20231

REQUEST FOR RECONSIDERATION OF THE
DECISION ON APPEAL DATED NOVEMBER 16, 2005

Sirs:

Appellants respectfully request reconsideration of the Board of Patent Appeals and Interferences Decision on Appeal dated November 16, 2005, under 37 CFR 41.52. Appellants believe the Board misapprehended or overlooked the following points in rendering their decision.

I. Appellants' invention

As stated in Appellants' opening brief, the inventors of the pending application conceived a new, technique for handling quotes in an electronic market that, if entered, would lock or cross other quotes in the market. A feature of this technique is to format the quote as a marketable limit order and route the formatted order to a market participant whose quote was locked or

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crossed. The lock/cross techniques prevent quotes that would lock/cross the market from being displayed. Rather, the lock/cross techniques formats the quote as a marketable limit order and enters the reformatted order as a non-directed Liability Order for execution in time priority. In a locked market situation the order is routed to the Quoting Market Participant(s) next in queue whom would be locked, and the order is executed at the price of the locking quotes/orders. For crossed market, the crossing order is entered and routed to the next Quoting Market Participants in queue, and the order will be executed at the price of the displayed quote that would have been crossed.

II. The Board maintained an obviousness rejection over Federal Register alone.

The Board rejected claims 1-22 over Federal Register alone and removed Biais as a reference. Since the Board did not raise a new rejection under a different section of Title 35 but merely removed Biais as a reference, and offered its own reasoning Appellant's request for reconsideration will be directed to an obviousness rejection and new reasoning advanced by the Board based on Federal Register alone.

The Board urges that:

> Federal Register indicates that a market maker whose bid (or ask) quotation will produce a locked/crossed market sends a Trade-or-Move Message to the market maker whose quote was locked or crossed (i.e., it is routed) at the receiving market maker's price, and that the receiving market maker can either trade in full or move its quote out of the way. It is not clear why the Trade option of the Trade-or-Move Message is not, in effect, considered a "marketable limit order" by one of ordinary skill in the art because we understand a marketable limit order to be an order that upon its receipt is executable, and the Trade option of the Trade-or-Move message is certainly executable. Thus, although Federal Register does not specifically mention formatting the quotation as a "marketable limit order," it seems that this is, in effect, what happens by the message.

III. The Board misapprehends the distinction between the Trade-or-Move Message and marketable limit orders and incorrectly relies upon an inherency argument.

Claims 1, 9 and 10

Claim 1 recites:

> 1. A method of handling quotes in an electronic market that, if entered, would lock or cross other quotes in the market comprises:
>
> formatting the quote as a marketable limit order and routing the formatted order to a market participant whose quote was locked or crossed.

The Board reasons, that: "It is not clear why the Trade option of the Trade-or-Move Message is not, in effect, considered a "marketable limit order" by one of ordinary skill in the art because we understand a marketable limit order to be an order that upon its receipt is executable, and the Trade option of the Trade-or-Move message is certainly executable."

The effects of the Trade-or-Move Message are different than those of "formatting the quote as a marketable limit order and routing the formatted order to a market participant whose quote was locked or crossed." In the Trade-or-Move Message, the entity that entered the locking or crossing quote must send the Trade-or-Move Message (if after 9:20) or either entity involved in a lock/cross (prior to 9:20). If the trade option is not selected by the recipient, the quote must be moved out of the way. On the other hand, if the Trade option is selected by the recipient, then there is a trade between the entity that sent the Trade-or-Move Message and the recipient at the recipient price.

Claim 1 is specifically directed to a method of handling quotes in a market by formatting the quote as a marketable limit order and routing the formatted order to a market participant whose quote was locked or crossed. In contrast to Federal Register, where the participant must send the Trade-or-Move message to the participant whose quote is locked or crossed no such need exists in claim 1, since Claim 1 requires formatting and routing in the market. So in contrast to Trade-or-Move, which requires input from each of the market participants, claim 1 merely has the market format the quote as an market limit order and route the formatted order to

a market participant whose quote was locked or crossed. Although the outcome may be the same or similar in some circumstances (e.g., when a trade option is used in the Trade-or-Move), the manner in which the outcome is reached is substantially different. The advantages of the technique of claim 1 include more orderly management of the market, since it does not rely upon the participants to make decisions and to exchange the Trade or Move messages, thus providing a more orderly opening from the market.

This rejection is improper because the Board has not made a *prima facie* case for obviousness. *See In re Oetiker*, 977 F.2d 1443, 1447 (Fed. Cir. 1992) ("There must be some reason, suggestion, or motivation found in the prior art whereby a person of ordinary skill in the field of the invention would make the combination. That knowledge can not come from applicant's invention itself.")

The Board finds that: "appellants state that "Federal Register (reporting on proposed changes to the Nasdaq Stock Market) certainly teaches marketable liability orders" (Brl6), which suggests that Federal Register teaches marketable limit orders." Decision page 8. In short order, it then concludes: "The Trade-or-Move Messages must inherently be formatted. Therefore, it is not clear to us why Federal Register does not teach or suggest the claimed subject matter." *Id.* This mere conclusion fails to address why one of skill in the art would have been motivation to modify the teachings of Federal Register to format the quote as an order and route to a market participant, and improperly relies upon an inherency argument in the context of an obviousness rejection. "The concept of inherency is not applicable to the question of obviousness." *In re Sporman*, 363 F.2d 444, 150 USPQ 449 (CCPA 1965). To refer to an unexpected property or parameter as inherent begs the question of whether the unexpected property rebuts prima facie obviousness. The concept of inherency is not properly applicable to the question of obviousness (see, *In re Sporman*, 363 F.2d 444, 150 USPQ 449 (CCPA 1965)). Obviousness and inherency are entirely different questions; that which may be inherent is not necessarily known and, therefore, is an indication of unobviousness (*In re Sporman*, 363 F.2d 444, 449, 150 USPQ 449, 452 (CCPA 1965; see, also *In re Naylor*, 360 F.2d 765, 152 USPQ 106 (CCPA 1966); *In re*

Adams, 356 F.2d 998, 148 USPQ 742 (CCPA 1966); and *In re Shetty*, 566 F.2d 81, 195 USPQ 753 (CCPA 1977)).

Prior to the instant application, the method of claim 1 did not exist, as evidenced by the rule filings with the Securities and Exchange Commission for the SuperMontage system. Therefore, no property of such methods, apparatus, and processor could be inherent, since inherency must flow from what previously existed.

Therefore, the fact that the instant claim 1 possess or exhibit an action not taught by the cited references evidences the unobviousness thereof and the failure to demonstrate prima facie obviousness. Neither Federal Register, nor Biasi nor the Board, provide any motivation which would have lead one to modify Federal Register alone to render Appellants invention obvious.

III. The Board overlooked the time aspect of claim 3

In sustaining the rejection of claim 3 the Board held that:

> **Appellants argue that these claims require determining a lock/cross market condition and routing the formatted order to the market participant whose quote would be locked or crossed, which is not taught (Brl3).**
>
> **Federal Register teaches sending the Trade-or-Move Message to market makers whose quotations will be locked/crossed (p. 31335), which requires that a locked/crossed condition is detected and the message routed to the appropriate market maker. The rejection of claims 3, 5, 12, and 13 is affirmed.**

The Board having found that the Trade-or-Move message suggested or taught the feature of claim 1 did not see any distinction in the feature of claim 3 argued by Appellant. However Appellant argued claim 3 on the basis of the examiner's rejection of the combination of Federal Register and Biasi, not the Federal Register alone and the Board's view of the Federal Register.

Appellant's claim 3 recites.

> 3. The method of claim 1 further comprising determining if the order locks the market and, if the order locks the market, routing further comprises:
>
> routing the formatted order to the market participant next in time whose quote would be locked if the quote is entered in the system.

A marketable limit order is a priced order that possesses time priority, as disclosed in the specification and as would be known by one of ordinary skill in the art. As with other marketable limit orders they are executed according to a price-time priority. Non-directed orders are placed in a queue and when next in queue are executed. (Appellant's specification page 19). The "trade option" of the Trade-or-Move Message has no such time priority, but rather is sent to the market maker whose quote was locked or crossed. No aspect of the Trade-or-Move message suggests the time priority aspect of routing, namely that routing of the formatted order is to the market participant next in time whose quote would be locked if the quote is entered in the system. Accordingly, claim 3 is neither described nor suggested by Federal Register.

IV. Conclusion

Reconsideration and modification of the Board's November 16, 2005 decision is requested. Please apply any other charges or credits to Deposit Account No. 06-1050.

Respectfully submitted,

Date: 1/5/06

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